MEMORANDUM

TO: Hon. Chairperson Barbara Carey-Shuler, Ed. D. and Members, Board of County Commissioners

DATE: July 13, 2004

SUBJECT: Report on Negotiation of Concession and Lease Agreement for Consolidated Rental Car Facility at Miami International Airport

FROM: George M. Burgess
County Manager

Background

The Miami-Dade Aviation Department (MDAD) and the Florida Department of Transportation (FDOT) have been negotiating with car rental companies since 1999 regarding a consolidated Rental Car Facility ("RCF") to be constructed at the Miami Intermodal Center ("MIC"). The negotiations have proceeded on two concurrent tracks: (1) design of the facility and (2) business terms for the concession and lease agreement.

In July 2000, the Board approved Memorandums of Understanding ("MOU") between the County and 22 companies who had executed MOUs. The Board also approved in principle the fifteen-year concession agreements to be executed by all car rental companies participating in the RCF. The County Manager was authorized to negotiate the terms of the concession agreement and to make changes thereto that are in the best interest of the County, provided that no change could vary from the terms of the MOUs, Resolution 683-00, or the Airport's car rental program, as approved by the Board.

The Resolution also directed the County Manager to take appropriate steps to assure that the ticket counter locations of all Disadvantaged Business Enterprise and Black Business Enterprise companies are suitably placed within the RCF so that such companies have a reasonable opportunity to compete with the larger car rental companies; in particular, consistent with the ticket counter policy set forth in Resolution No. R-1401-98, the County Manager shall provide that Royal and Globetrotter, or Globetrotter's successor in interest, if any, shall be entitled to the first and fifth ticket counter selection in the RCF, respectively.

The negotiations were completed recently and eleven companies have executed the attached concession agreement and facility lease agreement as of April 26, 2004. In addition, three companies have provided letters of intent to execute concession agreements upon the resolution of certain issues described further below regarding the allocation of space within the consolidated small companies premises within the RCF.

Rental Car Market Trends

During 2000 and the first 9 months of 2001, the level of rental car activities at Miami International Airport began to decline. By September 5, 2001, MDAD was reevaluating the financial feasibility of the facility as designed. After September 11, 2001, the MIA rental car market was extremely hard hit. Recovery has been slow. Transaction days are forecast to grow moderately over time, but not return to 2000 levels until 2025. A report by UNISON-MAXIMUS, INC. regarding Rental Car Demand Trends dated March 17, 2004 is attached.

Project Phasing

Based on the new outlook for future rental car transactions, MDAD, FDOT, and the car rental companies have worked together to phase the construction of the consolidated facility, in order to maintain the financial feasibility of the project while maintaining a customer facility charge level that does not overburden MIA passengers. The initial phase of the facility to be constructed was reduced from a $240 million project to a $190 million project. The total lobby space was reduced from 50,275 square feet to 42,781 square feet. The total number of vehicle parking spaces was reduced from 9,373 to 7,273. The number of fuel positions was reduced from 120 to 87. The number of car wash bays was reduced from 35 to 30.

Space Allocation

The space allocation plan has been the product of painstaking evaluation by a consultant for FDOT who has designed numerous consolidated rental car facilities. Space is assigned within the RCF according to market share with certain minimums. The market shares have been grouped into brackets. The market share brackets are: (1) greater than 20%, (2) 11% - 20%, (3) 5-11%, (4) 2 to 5%, and (5) under 2%. The space assigned to companies in the market share bracket under 2% has been increased to provide certain minimum allocations. For example, a company that would be entitled to 36 ready/return spaces based on market share is allocated 50 spaces. The smallest companies are entitled 30 ready/return spaces even though some of the estimated market shares would suggest the allocation of only 6 spaces. Each company is also allocated a minimum of 10 feet of linear frontage.

Each additional space that is allocated due to the minimums above, results in a reduction in the space that the larger rental car companies receive. In an effort to achieve proper balancing of the needs of the small companies and the larger companies, input has been requested from all companies at numerous technical and business negotiation meetings. The current plan represents the fifth generation of planning efforts.

With the execution of the concession agreements and final determination of the participating rental car companies, the space allocation plan will be further refined. With a final number of 14 companies participating in the facility instead of the 18 – 23 originally contemplated, the companies operating within the consolidated small company premises will be able to receive additional space allocations.

Plan of Finance

The design and construction costs of phase 1 of the RCF will be paid through a combination of customer facility charges ("CFCs") collected during the construction of the RCF and the proceeds of a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan from the United States Department of Transportation (USDOT). Negotiation of the final terms and conditions of the TIFIA loan continues with an expected closing in July 2004.

The loan will be repaid from the proceeds of CFC collections. In the event that CFC collections are not sufficient under certain conditions, the rental car companies have agreed to pay contingent rent in an amount not-to-exceed the operating costs of the RCF. In the even that contingent rent is assessed, it would be allocated among the companies in accordance with their proportionate share of space allocated within the facility.

Customer Facility Charge

In addition to the phasing of the project, the parties have agreed to moderately increase the level of the customer facility charge ("CFC") that will be charged to rental car customers. Pursuant to Ordinance 00-87, the Aviation Director has the authority to issue an Operational Directive requiring the rental car companies to collect a customer facility charge not-to-exceed $3.00 per day while the consolidated rental car facility is under construction. The parties are recommending that the Ordinance be amended to allow the CFC to increase to $3.25 during the construction of the consolidated facility. Fort Lauderdale International Airport is also considering the imposition of a customer facility charge of $3.25. A separate item accomplishing this is included in today's agenda.

After the construction of the consolidated rental car facility, the CFC will be set as necessary to pay the operating expenses of the facility, operating expenses of transportation between the facility and the MIA terminal building, and debt service requirements. The CFC is forecast to increase to $4.00 per day when the facility opens and then increase by $.25 every five years thereafter.

With the execution of the Concession Agreements and letters of intent, the rental car companies commenced collection of CFC's on May 1, 2004 at the $3.00 level pending the Board's evaluation of the proposed amendment to Ordinance 00-87.

Bill Johnson

Assistant County Manager